

April 1, 2004

SUBJECT: CITY OF LONG BEACH - REQUEST FOR PROPOSAL FOR CRUDE OIL MARKETING

Dear Vendor:

The City of Long Beach, acting through its Department of Oil Properties as Unit Operator of the Long Beach Unit in the Wilmington Oil Field, solicits your interest in responding to this Request for Proposal (RFP) to market a portion of the crude oil from the Townlot Area, within the Long Beach Unit. The Townlot Area is defined as Tracts No. 3 through 91, inclusive, in which there are numerous individual Working Interest Owners.

The Long Beach Unit Documents state that each of the Working Interest Owners must take its share of oil production in kind, and, pursuant to Article 5.14 of the Unit Agreement, if any Working Interest Owner does not do so, the City, as Unit Operator, as agent and for the account and at the expense of such Working Interest Owner, may dispose of such production in any reasonable manner, and after deducting associated expenses, shall pay the proceeds to each Working Interest Owner.

The successful bidder will:

- Perform crude oil marketing services for the City in order to find purchaser(s) for that portion of oil production within the Long Beach Unit attributable to those Working Interest Owners within the Townlot Area who do not take and/or dispose of their oil
- Perform as an independent contractor and not an employee of the City and will at no time take possession or title to the oil
- Arrange for purchaser(s) to take custody of the oil at the custody transfer facility located at Broadway and Mitchell, Long Beach, or at such other designated facility as mutually agreed to by the City and the successful bidder
- Maximize the value of the oil for the account of the Townlot Area Working Interest Owners, with the lowest acceptable value being the higher of that defined in Article 9(b)(1) or (2) of the Contractors' Agreement for the Long Beach Unit (see Exhibit F)
- Procure a letter of credit from the purchaser(s) of the oil in an amount that approximates the contract value of fifty (50) days of oil production for a term equal to the purchase agreement(s) and for a period of thirty (30) days thereafter. An alternative method of security may be allowed at the discretion of the City
- Procure and maintain at the successful bidder's expense, Comprehensive General Liability, Automobile Liability, Workers Compensation, and other insurance specified and required by the City and indemnify the City against all related claims and liabilities
- Reimburse the City for administrative costs of wire transfers services or other services for the term of the contract
- Provide the City with a monthly invoice, run ticket(s), a copy of each oil purchase agreement, and any other relevant reports, data and/or information before the 15th day of the month following delivery of the oil

The term of the oil marketing services contemplated by the subject RFP will be three years with two one-year extensions and will commence on August 1, 2004.

To maximize the oil value due the Townlot Area Working Interest Owners, some marketing entities will be excluded from the bidding process. Specifically excluded are any corporation or company that currently has a financial interest in the Wilmington Oil Field – Long Beach Unit, Fault Block I through V Ranger Zone Units and Non-Unit or any company or corporation that owns, controls, or operates a crude oil refinery.

If you or your firm is interested in performing the services as related to this project, please submit the information requested in the enclosed Request for Proposal packet. Submit six (6) copies of all proposal information requested in Exhibit A to the City's Project Manager:

Curtis P. Henderson – Operations Manager
City of Long Beach, Department of Oil Properties
211 East Ocean Blvd., Suite 500
Long Beach, California 90802
(562) 570-3937
email: Curtis_Henderson@longbeach.gov

Proposals must be received at the above address no later than 4:00 p.m., April 14, 2004. Those proposals received after the indicated deadline will not be considered. All submitted material will be retained by the City of Long Beach.

After evaluation of all the proposals submitted, the most qualified will be invited for an interview with the City's selection board.

If you have any questions regarding this RFP, please contact my office at (562) 570-3937 between 7:30 a.m. and 4:30 p.m., Monday through Friday.

Thank you for your interest.

Sincerely,

Curtis P. Henderson
Operations Manager
City of Long Beach

CPH:scs

Attachments

INSTRUCTIONS TO PROPOSERS

GENERAL INSTRUCTIONS

This Request for Proposal contains the following five Exhibits that describe the requirements and background information necessary to prepare a response to the request:

- EXHIBIT A - Proposal Form and Content
- EXHIBIT B - Preliminary Scope of Services
- EXHIBIT C - MBE/WBE Requirements
- EXHIBIT D - Method of Selection
- EXHIBIT E - City Responsibilities
- EXHIBIT F – Article 9, Long Beach Unit Contractors' Agreement

Please review the entire package before preparing your response. Responses that do not include six (6) copies of all items required in Exhibit A, Proposal Form and Contents, may be eliminated.

Proposals must be submitted by 4:00 p.m., April 14, 2004.

Additional information submitted after the formal closing date and time will not be considered, unless the city has requested that additional information.

OFFICIAL CONTACT

Any questions related to contractual procedures, or any other communication with the City, whether by telephone, fax ((562) 570-3922), or personal meetings, must be directed through the City's Project Manager:

Curtis P. Henderson – Operations Manager
City of Long Beach, Department of Oil Properties
211 East Ocean Blvd., Suite 500
Long Beach, California 90802
(562) 570-3937
email: Curtis_Henderson@longbeach.gov

This includes any technical information the proposer deems necessary to respond to the RFP. As of the issuance date of this RFP, prospective proposers are specifically prohibited from contacting any other City employees for discussions relating to this RFP, except as directed by the City's Project Manager.

PROPOSAL CONDITIONS

The Proposal should be considered the proposer's basic plan for performing the services described in the City's RFP, and any supplemental tasks should be identified. The Proposal should also provide information that demonstrates an understanding of, and the ability to meet and perform, all requirements of this project.

PROPOSAL SUBMITTAL

The Proposal should be prepared simply and economically, providing straightforward and concise descriptions of the proposer's abilities to satisfy the requirements of the City's RFP. Special binding, colored displays and promotional materials are not necessary. Emphasis should be placed on completeness and clarity of content.

Proposer is responsible for all costs associated with preparation and delivery of Proposal, whether accepted or rejected by the City.

The City, at its sole discretion, has the right to negotiate with any or all proposers regarding their Proposals. Additionally, the City may reject or accept any or all Proposals or parts thereof, submitted in response to this RFP.

EXHIBIT "A"

PROPOSAL FORM AND CONTENT

The form and content of the Proposal is to be as follows:

COVER LETTER

A one or two-page cover letter signed by a duly constituted company / corporate official (if proposer is a corporation) legally authorized to bind the firm to its Proposal.

SECTION 1 - INTRODUCTION OR EXECUTIVE SUMMARY

The proposer may use this section to introduce the Proposal or to summarize the key provisions of the Proposal.

SECTION 2 - REQUIRED RESPONDENT INFORMATION

Include the following information in this section:

- a. The legal name, street address, telephone number, and fax number of the firm submitting the Proposal.
- b. The address and telephone number of the office(s) where the service is to be undertaken and the name, title, street address, and telephone number of the person(s) to contact who is authorized to represent the firm and whom correspondence should be directed.
- c. Number of years in business as the currently-named firm.
- d. Current number of full-time professional and technical personnel in the firm and in the office(s) that will participate in the proposed project.
- e. Resumes of the people who will be directly associated with this project and any relevant references.
- f. A summary of the relevant background and experience of the firm submitting the Proposal as a corporate or other entity. Include adequate documentation on the financial status of the firm to ensure that the firm will continue in business through the project period and can finance the costs of adequate personnel and support facilities.
- g. A brief description of the scope of services provided by you or your firm that would include the use of any outside consultants.
- h. Identification of any real property you own, projects on which you are working or clients by whom you are engaged which are located in the City of Long Beach.
- i. Any information relevant to the City's policy on MBE/WBE participation and Equal Opportunity Employment (see Exhibit C).

j. A list of firms anticipated to participate as sub-consultants or sub-contractors (if any), and the number of years the sub-consultant or sub-contractor has been associated with your firm.

k. A list of your firm's latest related projects.

l. If the firm is a corporation, the State of Incorporation. If the firm is a partnership, whether you are a general or limited partnership, and the state in which Articles of Partnership were filed.

m. Your Taxpayer Identification Number, Employer Identification Number or Social Security Number.

n. Clear identification of any proprietary information in the Proposal.

o. A list of any financial interest or affiliation with the Wilmington Oil Field or any company that owns, controls or operates a crude oil refinery.

SECTION 3 – RECOMMENDED SCOPE OF SERVICES

The proposer shall include a well defined "RECOMMENDED Scope of Services" to be performed that clearly displays an understanding of this project using as a basis the "Preliminary Scope of Services" supplied in this package.

Exhibit "B" is the "Preliminary Scope of Services" which should be evaluated, modified and/or revised in the Proposal as required. The outline of services to be performed includes services and items of work that the City considers necessary to market the Townlot Area crude oil to achieve the highest value for the Townlot Working Interest Owners. This "RECOMMENDED Scope of Services" should include services to be performed and associated tasks to be undertaken to market the subject crude oil. The City will use this "RECOMMENDED Scope of Services" as a significant measure of each proposer's experience and understanding of what is essential.

Outline your "RECOMMENDED Scope of Services" and approach to the project by providing the following information:

a. A description of the services, activities and tasks you propose to perform and the approach or techniques your firm will use in accomplishing the services to be provided to the City. If desired, separate the tasks into sub-tasks.

b. The number of staff hours that you propose to accomplish the services, activities and/or tasks or subtasks.

The proposer shall also include a clear description of each report, invoice, etc., the proposed method of reporting to the City, and the ultimate service to be provided to the City.

SECTION 4 - PROJECT SCHEDULE

Provide a projected schedule of services and tasks to be performed and invoices, run tickets, agreements, data, reports and any other relevant information to be provided during a typical month with associated milestones and target dates.

SECTION 5 - CORPORATE CAPABILITY

- a. Describe your firm's familiarity and experience with the marketing of crude oil.
- b. Describe your personnel's knowledge of, and ready access to, appropriate information resources.
- c. If sub-contractors or consultants are to be used by your firm, the background, experience and specific areas of responsibilities shall be clearly stated. Describe your past experience working with the sub-contractor or consultant.

SECTION 6 - REFERENCES

List and briefly describe three or more recent projects performed by your firm that pertain to the marketing of crude oil.

- a. Please supply the name, address and telephone number of references for these projects that the Department of Oil Properties may contact concerning your role and performance in each project described.
- b. Please indicate which of the personnel you propose to use on this project that has participated in the referenced projects. Include the role of each of these persons in accomplishing the referenced projects.
- c. If any of these references are for sub-contractors or consultants that your firm is using to supplement your capabilities, include the above information, but be certain to specify which of the references apply to sub-contractors or consultants.

SECTION 7 - RFP ITEMS NOT COVERED

Include a separate and specific description of each point in the RFP, which is not completely met by the Proposal. If the proposer has covered all items in the RFP, this section should include the statement, "All RFP items have been covered in this Proposal".

SECTION 8 - ADDITIONAL DATA PROPOSER WISHES TO PRESENT

Any other data that the proposer feels is applicable to the evaluation of the Proposal or of proposer's qualifications for accomplishing the project should be included.

If there is no additional data the proposer wishes to present, this section should consist of the statement, "There is no additional data we wish to present".

SECTION 9 - PROJECT COSTS

All estimated Project costs are to be contained in this section.

The "Proposed Fee Schedule" will include all costs and/or fees for providing the work as proposed in the "RECOMMENDED Scope of Work."

An "Hourly Rate Schedule" for proposed Project Staff should be included if project costs are based on hourly rates, and should contain the hourly rate and classification for all Project Staff anticipated to be working on this project.

The provider may wish to include performance incentives and guarantees for obtaining maximum value for the Townlot Area crude oil.

The final fee will be negotiated based on the final-approved Scope of Services and associated costs.

EXHIBIT "B"

PRELIMINARY SCOPE OF SERVICES

PURPOSE:

Provide marketing services in order to find purchaser(s) for that portion of oil production within the Long Beach Unit attributable to those Working Interest Owners within the Townlot Area who do not take and/or dispose of their oil and to maximize the value of the oil to the Townlot Area Working Interest Owners.

SERVICES:

a. Market that portion of oil production within the Long Beach Unit attributable to those Working Interest Owners within the Townlot Area who do not take and/or dispose of their oil

b. The term of the marketing services will be for three years with two one-year extensions and will commence on August 1, 2004.

c. Arrange for purchaser(s) to take custody at the custody transfer facility located at Broadway and Mitchell, Long Beach, or at such other designated facility as mutually agreed to by the City and the successful bidder. The successful bidder will perform as an independent contractor and not an employee of the City and will at no time take possession or title to the oil.

d. Maximize the value of the oil due the Townlot Area Working Interest Owners, with the lowest acceptable value being the higher of that defined in Article 9(b)(1) or (2) of the Contractor's Agreement for the Long Beach Unit (see Attachment F)

e. Procure a letter of credit from the purchaser(s) of the oil in an amount that approximates the contract value of fifty (50) days of oil production for a term equal to the purchase agreement(s) and for a period of thirty (30) days thereafter. An alternative method of security may be allowed at the discretion of the City

f. Procure and maintain at the successful bidder's expense, Comprehensive General Liability, Automobile Liability, Workers Compensation, and other insurance specified and required by the City and indemnify the City against all related claims and liabilities

g. Reimburse the City for administrative costs of wire transfers services or other services for the term of the contract

h. Provide the City with a monthly invoice, run tickets(s), a copy of each oil purchase agreement and any other relevant reports, data and/or information before the 15th day of the month following delivery of the oil

AVAILABLE DATA

Actual Townlot Area Oil Sales Rate And Associated Gravity (Average per Month)

	Oil Sales Rate, b/d	Gravity, API
March, 2003	2,772	17.8
April, 2003	2,343	17.9
May, 2003	2,877	17.8
June, 2003	2,849	17.8
July, 2003	2,733	17.6
August, 2003	2,653	17.7
September, 2003	2,715	17.6
October 2003	2,768	17.5
November, 2003	2,799	17.6
December, 2003	2,785	17.9
January, 2004	2,677	17.7
February, 2004	2,615	17.5

EXHIBIT "C"

**MINORITY BUSINESS ENTERPRISE / WOMEN BUSINESS ENTERPRISE
PARTICIPATION**

The City of Long Beach is an equal opportunity employer and requires all service providers to comply with policies and regulations concerning equal employment opportunity.

It is the policy of the City of Long Beach to utilize Disadvantaged, Minority and Women Owned Business Enterprises (DBE's, MBE's and WBE's), in all aspects of contracting including professional services.

Whenever possible, the proposer should seek to accomplish a goal of at least 10 percent (10%) MBE/DBE participation, five percent (5%) WBE participation for professional services and three percent (3%) WBE participation for all other contracts.

EXHIBIT "D"

METHOD OF SELECTION

The City of Long Beach will utilize a selection committee to review and recommend a proposer to undertake the marketing services proposed in this RFP. The members of the selection committee will individually review the material submitted and, based on their evaluations, determine those candidates who are to be invited for an oral interview. The names of the members of the selection committee will not be disclosed prior to the interviews and none of the information developed in the evaluation process by members of the selection committee will be disclosed. After the interviews have taken place, the selection committee will meet to develop a recommendation to the Director of Oil Properties.

The selection criteria for this RFP include:

Absence of a Conflict of Interest: Any corporation with a financial interest in the Wilmington Oil Field – Long Beach Unit, Fault Blocks I through V Ranger Zone Units and Non-Unit, or any company or corporation that owns, controls, or operates a crude oil refinery will not be selected as the winning bidder due to conflicts of interest.

Qualifications and Experience of Personnel: How well the Proposer firm's staff is trained, educated and qualified to provide the indicated marketing services is an important factor in the evaluation process.

Longevity, Stability and Reputation of Firm: The number of years that the Proposer firm has been in the crude oil marketing business, the stability of the Proposer firm, and the reputation of the firm are important factors in the evaluation process.

Services Provided: The manner in which the Proposer firm recommends carrying out the marketing services to be supplied the City, the organization of the Project, and anticipated reporting and associated tasks are important factors in the evaluation process.

Oil Revenues Provided to Townlot Area Working Interest Owners: Maximizing the revenues and the ability to lock in favorable terms to the Townlot Area Working Interest Owners are important factors in the selection process but will not be the sole criteria.

Marketing Costs/Fees: Minimizing marketing costs and/or fees is an important factor in the selection process, but it will not be the sole criteria.

After approval by the Director of Oil Properties, negotiations will be undertaken with the selected proposer. A final scope of work defining the services to be provided and other contract provisions will be agreed to, if possible. If agreement is not reached, negotiations will be terminated. Negotiations will then be undertaken with the selection committee's second choice for the project.

EXHIBIT "E"

CITY RESPONSIBILITIES

The City of Long Beach will:

- A. Make available City data and information as determined by the City to be related to the marketing services as required by the successful firm.
- B. Provide reasonable and timely staff input such that the successful firm can meet the approved project completion schedule.

EXHIBIT "F"

LBU FIELD CONTRACTORS' AGREEMENT

(see attached separate document)